

St. John's University

St. John's Scholar

Theses and Dissertations

2020

THE THREAT OF TERRORIST ACTIVITIES TO THE INTERNATIONAL FINANCIAL SYSTEM

John Conor Engel

Follow this and additional works at: https://scholar.stjohns.edu/theses_dissertations

THE THREAT OF TERRORIST ACTIVITIES TO THE
INTERNATIONAL FINANCIAL SYSTEM

A thesis submitted in partial fulfillment
of the requirements for the degree of

MASTER OF BUSINESS ADMINISTRATION

to the faculty of the

DEPARTMENT OF FINANCE

of

THE PETER J. TOBIN COLLEGE OF BUSINESS

at

ST. JOHN'S UNIVERSITY

New York

by

John Engel

Date Submitted May 13th, 2020

Date Approved May 13th, 2020

John Engel

Ronald Moy

© Copyright by John Engel 2020

All Rights Reserved

ABSTRACT

THE THREAT OF TERRORIST ACTIVITIES TO THE INTERNATIONAL FINANCIAL SYSTEM

John Engel

Terrorist and Criminal Activities pose a major threat to the international financial system and society. To fund these criminal organizations, they typically acquire their funds from terrible crimes and corruption. These organizations then introduce their funds into the international financial system to continue to fund their organizations. In this research I examine the trends in which terrorist organizations use to exploit the international financial system, and what Governments and financial institutions are doing to stop these organizations from manipulating the system. I will compare the number of crimes committed and see how effective the laws and security have been and construct further ideas to better safeguard the international financial system and society. I strongly believe ending crimes such as drug and human trafficking will mark a major blow to these criminal organizations and in turn cause less attacks to the international financial system.

TABLE OF CONTENTS

	LIST OF TABLES	iii
	LIST OF FIGURES.....	iv
I.	Introduction.....	1
	Problem Statement	1
	Research Questions and Direction	2
II.	Methodology	3
III.	Literature Review.....	5
	Money Laundering	6
	Money Services Businesses (MSB)	10
	ATM Services	12
	Charities.....	12
	Human Trafficking.....	31
IV.	Findings and Recommendations	38
	The Use of The Internet to Facilitate Human Trafficking.....	38
	Major Human Trafficking Arrests	40
	Major Drug Arrests	45
	Major Money Laundering Arrests.....	46
	Combatting Terrorism	47
V.	Conclusion	54
	References.....	56

LIST OF TABLES

Table 1: Major Legislations Against Terrorist Financing.....	48
Table 2: Legislations Proposed to Combat the Current Threat of Terrorist Financing.....	49

LIST OF FIGURES

Figure 1: Human Trafficking Globally.....	42
Figure 2: Sex Trafficking of Children Prosecutions.....	44
Figure 3: Terrorist Attacks Worldwide.....	47

I. Introduction

Problem Statement

Terrorist organizations are always looking for weaknesses in the international financial system to fund their activities. A major concern today is the safety of citizens and institutions around the world due to the threat imposed by terrorist groups. Countries have developed many deterrents to counter the growing threat of terrorism, yet there are still many attacks taken place by these organizations.

Money laundering is a major way in which these groups acquire their finances. Money laundering is the concealment of origins of illegally obtained money, typically by transfers involving foreign bank or legitimate businesses. With terrorist organizations care little about the source of their funds, but it's what the funds are used for. Detecting and reporting terrorist financing red flags is the most effective way to combat terrorist financing and stop the flow of funds.

Crimes such as human and drug trafficking is a major way these criminals and terrorists acquire their finances. The huge revenue generated from these crimes lead to corruption within the international financial system making the transferring of funds to and from terrorist organizations that much easier.

Research Questions and Direction.

I will look into what was done to shield the world from further terrorist attacks and protect the international financial system soon after the biggest terrorist attack this world has ever seen on September 11, 2001, and what was done in recent years by the Trump administration and efforts globally to end the funding of and manipulation of the international financial system by terrorist organizations. I will identify corruption by high ranking officials in government, as well as the financial system. I will also analyze the writing of Stephen Platt's *Criminal Capital*, Human Trafficking Around the world by Stephanie Hepburn and Rita J. Simon and Harpoon, *Inside the Covert War Against Terrorism's Money Master* by Nitsana Darshan-Leitner and Samuel M. Katz. I strongly believe that in ending serious crimes such as human and drug trafficking there will be less crimes within the international financial system and a serious reduction in finances towards terrorist organizations.

Has there been significant arrests within human and drug trafficking leading to a decrease in International Financial Crimes? I believe there has been a misrepresentation on just how bad these crimes are due to the people in such powerful positions committing these crimes and I will assess the major arrests in recent years.

II. METHODOLOGY

The research for this thesis is derived mainly from the analysis of the problems and solutions derived from various sources. We need to understand why the international financial system is attacked and the ways in which these criminals find weaknesses within that system to fund their illegal activities. Terrorism financing typically begins with raising finances, whether that be from outside sources or illegal crimes committed to fund their organizations. Secondly, these criminals will look to move and store their finances, and this is where they will exploit the international financial systems and find ways around security to include their finances into this system. The first step involved a study of the field of terrorist financing. Once the finances have been successfully implemented within the international financial system, terrorist organizations will now be able to use their finances without drawing much attention.

In this research I will assess the major crimes such as human and drug trafficking and how this provides the financial gains and control necessary to continue to run their organization and manipulate the international financial system. Will implementing a stricter focus on these crimes limit the exploitation of the international financial system and lead to a major limitation of funds within these terrorist organizations? If the research proves this to be true, then finding ways to lessen and completely end these crimes is crucial.

The United States Government has recently vowed to end human trafficking around the world. I will assess the human and drug trafficking crimes before and after Executive Orders signed by the President of the United States and assess whether or not there has been less reports of human and drug trafficking, leading to less reports of abuse within the international financial system.

I will assess arrests of human and drug trafficking criminals and the efforts that led to those arrests and what it means for the future following the arrests of such high-profile individuals. Is there an increase in arrests that is a direct result from the efforts globally combatting these crimes? After analyzing the current methods in which the world has combatted human and drug trafficking and crimes against the international financial system, I will offer new methods and ways to strengthen current methods to continue the fight against these crimes.

III. Literature Review

This literature review will evaluate the ways in which terrorist organizations introduce their finances into the financial system as well as transfer it to conduct their terrorist operations. This literature review will also detail how human and drug trafficking generates much of the finances that terrorist organizations use to fund their attacks and organizations.

Clunan (2007) found that “terrorist financing incorporates two distinct sets of financial activities:

“One set involves the provision of the funds required to carry out a terrorist operation. It includes funds to pay for such mundane items a food, lodging, transportation, reading materials, and audio-video equipment, as well as purchases of legal precursors for bomb making, as well as purchase of illegal materials for operations. Such transactions, unlike money laundering, are mainly pre crime: they are perfectly legal until they can be linked to criminal support.”

Clunan defined the second set of terrorists related financial activities as Involving:

“the raising of funds to support terrorist operations, training, and propaganda. Funds can be raised through illicit mean, such as drug and human trafficking, arms trading, smuggling, kidnapping, robbery, and arson, which are more amenable to traditional anti-money laundering tools. Terrorists also receive funds from legitimate humanitarian and business organizations. Charities raising funds for humanitarian relief in war-torn societies may or may not know that their funds are going to terrorism. Corrupt individuals at charities or at recipient organizations may divert funds to terrorist organizations. This appears to be one of the main means through which Al Qaeda raises funds. Legitimate funds are commingled with funds destined for terrorists, making it extremely difficult for governments to track terrorist finances in the formal financial system.”

Chen (2020) identified a 2018 survey from PwC, that details global money laundering transactions account for roughly \$1 trillion to \$2 trillion annually, or some 2% to 5% of global GDP, which clearly depicts a large concern for the illegal transferring of funds.

Money Laundering

Trade based money laundering involves the exploitation of the international trade system for the purpose of transferring value and obscuring the true origins of illicit wealth. This money laundering technique usually involves the misrepresentation of the price, quantity or quality of imports or exports. The international trade system is subject to a wide range of risks and vulnerabilities that can be exploited by terrorist financiers.

Platt (2015) used the groundwork from the UN Convention to describe Money Laundering as:

- The conversion or transfer of property derived from criminal offenses.
- The concealment or disguise of the true nature, source location, disposition, movement, rights with respect to, or ownership of property derived from criminal offences.
- The acquisition, possession or use of property derived from criminal offences.

Terrorists typically convert dirty money and introduce it into the international financial system in order to successfully finance their organization. Chen explains three steps that are genuinely followed, which are placement, layering and integration. Placement is where the money is most vulnerable to detection and seizure. These organizations implement a strategy to successfully introduce finances into the system at levels that evade reporting requirements of both legal and illegal enterprises. Criminals can use front companies or structured cash deposits. Some crimes such as insider dealing and bribe payments on arms contracts are sent through wire transfers, which are now entered directly into the financial system.

The second is layering, the finances are separated from its source and steps are added to make it difficult to follow the money back to its origins. Terrorist financiers will move the funds through a series of transactions to create confusion and complicate any audit. These criminals believe that the more complex the transactions, the more effective the metamorphosis of the property from dirty to clean. Jojarth (2013) goes on to explain that the wiring of these funds will be globally scattered throughout a network of bank accounts.

Integration is the final step, and Jojarth found that the launderer integrates the processed funds and inserts them into the legitimate economy. Any legal investment vehicle that generates some financial return – even if that return is smaller than the initial investment can serve this purpose. Finances are moved where they appear legitimate. Once the funds are in the financial system and have been insulated, transactions can be created to appear legal. This can be through the purchase of real

estate, yachts, private jets, and other luxurious items. These techniques shield the criminal from discovery.

Chen goes on to explain other methods of money laundering such as smurfing. Smurfing is when the criminal breaks up large chunks of cash into multiple small deposits, often spreading them over many different accounts, avoiding detection. Other methods mentioned by Chen are currency exchanges, wire transfers, and sneaking large amounts of cash across borders. Chen found that electronic money laundering is another way in which terrorist finance their criminal organizations and goes on to explain the methods which are online auctions and sales, gambling websites, virtual gaming sites, and cryptocurrencies such as Bitcoin. The use of these cryptocurrencies is explained in the work of Goldman, Maruyama, Rosenberg, Saraville, and Strauss (2017). These authors go on to identify the vulnerabilities of virtual currencies and electric money laundering.

Understanding how terrorist acquire their funds and how they introduce it into the international financial system is a crucial part is limiting these illegal financial transactions. Uncovering other methods and instances where terrorists may manipulate other sources to further their agenda is important as well. As society advances with technology there is a huge concern with digital currency and how terrorists can take advantage of this system. Goldman, Maruyama, Rosenberg, Saraville and Strauss found that terrorist organizations continue to adapt to the pressure placed on their financial networks since 9/11, and they rely on means and resources that are now more varied and localized. New, alternative methods to move

money include the use of prepaid cards and digital payment systems. These new methods facilitate transactions that are faster, more anonymous, and capable of global movements.

These authors also found that digital payment services such as PayPal, Amazon Pay and Google Wallet may also be susceptible to abuse. In 2015, Mohamed Eishinawy of Maryland was arrested and charged with attempting to aid ISIS. According to a criminal complaint filed by the Federal Bureau of Investigation (FBI), he received about \$8,700 through Western Union and PayPal accounts from individuals abroad he believed had connections to ISIS, and the money was intended for nefarious purposes. The authors go on to explain how some online payment companies such as Venmo created scanning technology to identify words and symbols associated with terrorism. Terrorists will also adapt and find new methods in conducting their operations and for every new company involved in the transferring of funds will also need to be responsible for monitoring their transactions to ensure there is no criminal activity, as well as the detection of illicit transactions conducted via virtual currencies rather than fiat currency is inherently challenging. Law enforcement officials and regulators may have difficulty accessing customer and transaction records that are distributed across different jurisdictions or that they do not exist at all. The diffusion of infrastructures, entities and services involved in transferring or executing payments in these currencies makes it challenging to assign jurisdictional responsibility for compliance and enforcement, while the evolving

nature of virtual currency technology and business models compounds the difficulty of tracking their use.

The use of virtual currency is difficult to track in certain countries due to a lack of network capacity or surveillance and regulations.

Some instances where terrorist organizations used virtual currency was in 2015 when ISIS used Bitcoin in the dark web raising 5 bitcoins, which was approximately \$1,000, donations were requested in bitcoin on the dark web, and an ISIS supporter was arrested for providing instructions on how to use Bitcoin to provide untraceable financial support or ISIS.

Money Service Businesses (MSBs)

Terrorist organizations tend to move their money through new online payment systems, trade linked schemes, and money service businesses (MSBs). Carole (2018) found that digital payment systems such as PayPal are used for money laundering. The data collection found by PayPal and other digital payment systems are employed to launder money. Terrorist organizations use digital payment systems and employ money-laundering techniques where multiple, small payments are made to not trigger security or anti money laundering alerts. Carole details the term “micro laundering” where thousands of small electronic payments are made through money service businesses like PayPal, which is becoming more common and difficult to detect.

The Financial Crimes Enforcement Network defines money service businesses (MSBs) is anyone offering check cashing, foreign currency exchange services; or

selling money orders, travelers checks for an amount greater than \$1,000. Bitcoin is considered a money service business and is required by law to register with the Financial Crimes Enforcement Network.

Dowdy (2018) details an example of a crime from the use of illegally transferring funds through MSBs is when a woman was transferring large sums of money to the terrorist organization ISIS. The development of the Internet has connected the entire world and terrorist organizations have taken advantage of the internet to grow their network. Groups such as ISIS has used social media websites Instagram, Twitter, and Facebook to recruit and spread their ideology. It is much easier today to gain new supporters with the vast amount of information easily accessible and with this information being available all around the world, the potential for new members anywhere makes the threat that much worse.

Dowdy found that the woman pled guilty to using bitcoin to launder money for the terrorist organization ISIS. Zoobia Shahnaz of Brentwood, Long island admitted to wiring more than \$150,000 to individuals and shell entities that were fronts for ISIS and Pakistan, China and Turkey in 2017. Shahnaz schemed Chase Bank, TD Bank, American Express and Discover by fraudulently obtaining six credit cards, then proceeding to purchase more than \$62,703 in Bitcoin and converted it to cash.

ATM Services

Terrorist financiers can even use ATM Services, depositing small amounts of money that avoid detection into ATMs and then transferring the finances to a main account. This is known as micro structuring and the amounts deposited are so small, they can pass as ordinary ATM Transactions. These techniques can provide millions and millions of laundered dollars. The international monetary fund estimates that between 2% and 5% of the world's gross domestic product, which is between \$962 billion and \$2.4 trillion is laundered worldwide every year. Most of the money laundering is performed within the United States Financial System.

Charities

Duff (2011) found that following the bombing of Air India Flight 182 in June 1985, many Canadians were shocked to learn that the Babbar Khalsa Society, which was a military organization dedicated to the establishment of an independent state in northern India, who were believed to have planned the Air India bombing. They believe supervision and regulation of charitable organizations is essential in preventing the manipulation and abuse by terrorist organizations, but this regulation should be risk based to ensure charitable organizations become allies in the fight against terrorism due to the few individuals in charities who have involvements with terrorist organizations. Norton and Chadderton (2016) also found that charities and non-profit organizations can be used as a cover for obtaining private donations for

terrorism purposes. The authors identify the ways that charities can be misused to fund terrorist organizations such as the legitimate acquisition of funds by the charity, and instead funneled into a terrorist group, and false representation. Either individuals falsely claim to be associated with a charity and then send donations to a terrorist group.

In August 2002, a hearing on the role of charities and NGO's in the financing of terrorist activities was before the Subcommittee on International Trade and Finance of the Committee on Banking, Housing, and Urban Affairs United States Senate. The focus of this hearing was examining the scope of the problem, steps the administration has taken to curb the diversion of charitable funds to terrorist organizations, ways to curtail the flow of money from foreign and U.S. based Islamic charities to terrorist organizations and what additional tools are necessary for law enforcement to identify and cut off terrorist financing activities.

According to Senator Evan Bayh, Al Qaeda was described to possess five sources of funding, which are the wealth from Osama Bin Laden, other wealthy individuals within the organization, front companies for profit, illegal activities, such as money laundering or smuggling, and charities.

The Committee found that Islamic charities collect millions every year, as well as grants and unfortunately some of these finances are funneled into terrorist organizations. Seven foreign charitable organization were found to have ties with Al

Qaeda and two prominent based charities were found to have ties directly to Osama Bin Laden and the Taliban.

To counter the illegal transfer of funds from charities into terrorist organizations the Department of the Treasury has extended registration and suspicious activity-reporting requirements to Hawala, The USA Patriot Act authorizes audits of disbursements from charities, the United Nations gathered reports from over 170 nations to access the criminal activity within charitable organizations.

According to the Financial Crimes Enforcement Network:

“Hawala is an alternative system working alongside traditional banking or financial channels. Hawala works by transferring money without moving it. In Hawala, there must be a level of trust between the individuals transferring money, but it is an informal, unregulated mode to transfer money without any paperwork and accountability which can provide many illegal transfers and create an easy way for criminals to launder their finances.” (Jost 1997)

The Hawala network was a commonly used method to transfer finances by terrorist organizations. There is an estimated 258.9 billion Euros passing through this network every year and it has been found that terrorist organizations like Al Qaeda and the Islamic State have used this method to transfer money. This mode of transfer avoids high fees and evades the bureaucratic administrative process associated with standard banking practices. Using the Hawala system make it difficult for investigations due to no identifiable paper trail.

Normark and Ranstorp (2015) found that most terrorist networks are relying on Hawala networks for the transferring of funds. Normark and Ranstorp found that

the most prominent case has been the discovery of a Hawala network in Spain that was composed of 300 hawaladars with clandestine offices around Spanish cities through 250 butcher shops, grocery stores and telephone call centers. These offices managed the savings of 150,000 Muslims and allegedly paid the salaries of Spanish jihadists in Syria.

Due to the advances in technology transferring money using this method has become even easier with the use of cryptocurrency. Bitcoin is a decentralized network with no central authority, and anyone can access bitcoin without going through a bank or financial institution. Terrorist networks use bitcoin because of its similar practices to the Hawala system.

An issue in stopping the illegal transfer of funds from charities to terrorist organizations is the lack of assistance and cooperation from European nations who refuse to block the transfers. Although the United States has identified such transfers within the jurisdiction of the European union, the lack of coordinated efforts gives terrorist-supported organizations the ability to still conduct their illegal transactions.

Platt found that on December 14, 2001, The Global Relief Foundation in Chicago was raided, and their offices in Kosovo were raided by NATO forces after NATO received credible intelligence that the group was allegedly involved in planning attacks against United States and European targets. A senior Bin Laden financier was arrested in Spain because he transferred funds to individuals affiliated with the Bin Laden network and to the Global Relief office in Belgium. On January

4, 2001, the Hatvika Center was raided by federal agents and the New York Police Department because this organization was transferring money to KACH or Kahane Chai, which are designated foreign Terrorist Organizations by the United States.

Simpson (2002) details another instance of illegal use of funds by charities during the Bush administration when the Holy Land Foundation was exposed for providing funds to Hamas. Simpson found that on October 1, 1993 a small group of Middle Eastern men gathered at a Courtyard Marriott Hotel near the Philadelphia airport to discuss what they called “Samah.” This meetings focus was on a fund-raising effort by the Holy Land Foundation for relief and development. These funds; however, were used by Hamas to recruit suicide bombers and provide support to their families. The Federal bureau of investigations monitored the Holy Land Foundation for over eight years to come to these conclusions.

Platt details other instances of this abuse with a key Charity linked to Osama Bin Laden is Al Wafa which is in Saudi Arabia who raise a lot of money for equipment and weapons. Some Charitable groups have actively facilitated terrorist operations as well as finance their operations. Mercy International Relief Organization was shown to smuggle weapons from Somalia into Kenya.

Clearly, there is a major problem and charities are a major form of support for terrorist operations. To battle the ongoing problem with terrorist organizations, international cooperation is crucial, targeting charitable groups and conducting audits is necessary and penalties need to be strictly enforced for those countries that

continue to disregard the financing to terrorist operations. The new prince in Saudi Arabia, Mohammed bin Salman is already working with other countries to reject the use of terrorism against other countries; dismantle terrorism infrastructures and end any kind of support and financing to terrorist organizations. The Saudi Prince along with India have offered to share intelligence and bring perpetrators of these acts of terrorism to justice.

Platt details the many methods in which criminal and terrorist organizations abuse the financial system to facilitate their criminal activities. These organizations use any illegal method at their disposal to gain their resources and then find ways, avoiding detection, to place their funds in the financial system. There needs to be a perfect storm to successfully facilitate these operations. These organizations make most of their finances with drug and human trafficking. The terrorist organizations will find ways to bribe government officials, bank employees and anyone who can make their efforts that much easier. If you bribe these officials, these criminals won't have to manipulate the financial system as much as just bribing government and financial officials to enact laws, taking their criminal behavior and funds out of the spotlight. These officials will find a way to send and receive money without anyone noticing.

Zitter (2013) writes in 2013, the Costa Rican currency business Liberty Reserve was shut down after the company laundered \$6 billion from illegal activities including drug trafficking, child pornography, credit card fraud, computer hacking, and identity theft. The investigation included 17 countries as well. This case was one

of the largest money-laundering cases and considering it involved 17 other countries it really shines a light on how frequent these criminal activities occur around the world and the assistance needed to successfully transfer the finances from these crimes.

Norton (2002) found that the United States recognized that the best protection for a banking organization against criminal activities was their own internal controls entailing policies and procedures to identify potential criminal occurrences within the organization. Norton details specific areas that banking activities were focusing on in protecting their organization such as knowing your customer, enhancing due diligence on private banking activities, reviewing relationships with non-U.S. correspondent banks and shell banks and monitoring wire transfers for patterns of money laundering activities.

The United States released a National Money Laundering Strategy in 2000, which identified financial service providers, such as broker-dealers and insurance companies, as needed to be included within the scope of the financial institutions. This strategy influenced the creation of the International Counter-Money Laundering Act of 2000 that gave the U.S. Treasury the authority to take “targeted, narrowly tailored and proportional action against those jurisdictions, foreign financial institutions, or types of transactions that pose particular money laundering threats.”

In 2010, 3,111 murders were reported in Ciudad Juarez, the Mexican border city near El Paso, Texas. The bodies of those murdered are typically dismembered and left on display to evoke fear within the community. The blame for these deaths in Mexico lies with the drug cartels. This murder rate rose significantly in 2006 after the declaration of a “Drug War” by the new Government of Felipe Calderon. (Platt, 2015)

According to the World Health Organization in 2004 it is estimated that illegal drugs are responsible for the deaths of close to 250,000 people each year worldwide. The numbers have significantly increased world-wide in the recent years. Illicit drugs were estimated at \$320 billion by the UN’s Vienna-headquartered Office of Drugs and Crime in a 2005 World Drug Report.

An unfortunate correlation to countries with the highest rates of drug crimes is the high level of poverty and lowest levels of law enforcement and security within the location. Drugs are also linked to developmental issues such as crime, terrorism, and political instability. Platt found that Opium production accounts for one fifth of the Afghanistan economy and provide the Taliban millions of illicit dollars in profit. Fanusie and Entz found additional instances of drug cartels financing terrorist organizations in 2011 an indictment suggested that members of the Zetas cartel laundered up to \$200 million a month that was donated to Hezbollah. Fanusie and Entz also found in 2005, a cigarette smuggling ring in North America and Europe funneled \$1.5 million in proceeds to Hezbollah from this trade. Fanusie and Entz detail numerous instances where drug cartels help finance these terrorist organizations

showing a major area of concern for government agencies. In 2003, a United States general estimated that Islamist terrorist groups, including Hezbollah, made between \$300-\$500 million a year in South America from activities including arms trafficking and smuggling. Fanusie and Entz found that the Drug Enforcement Agency's Project Cassandra targeted Hezbollah's external Security Organization Business Affairs Component, responsible for drug trafficking drug proceeds. The DEA noted that these terrorists established relations with the South American drug cartel and that the funds were to purchase weapons for Hezbollah fighters in Syria in 2016.

Countries with high drug production also possess a very high level of corruption within the area. An ability to pay off those in power who may interfere with drug traffickers. Cartels can pay off or family these individuals and their families. Esposito (2010) found that in 2010 Maria Ernesto Villanueva Madrid, the former Governor of the Quintana Roo state in Mexico was extradited to the US on charges of corruption. The ex-governor faced allegations that he was paid large sums of money to prevent interference for the Juarez cartel, by keeping law enforcement intercepting shipments of drugs into his jurisdiction.

These Central American drug cartels rely on expert legal and financier advisers in their management of multinational business structure who have creative and evolving money laundering techniques. Financial Institutions frequently discover that they have been exploited by these sophisticated criminals. (Platt, 2015)

The Federal Research Division of the Library of Congress examined how Narcotics funded terrorist and other extremist groups. In this research 4 analysts identified the relationships between drug traffickers and terrorist organizations and concluded that there are many links to these groups due to the mutual beneficial advantages of working together.

According to:

Terrorist/ guerrilla groups and drug trafficking organizations in South America share similar methods of operation such as:

- using similar methods to conceal profits, raise funds, and move or launder money.
- relying on bulk cash smuggling, multiple accounts, and front organizations to launder money.
- using fraudulent documents, including passports and other identification documents, to travel worldwide.
- using fraudulent customs declarations forms to smuggle drugs and weapons.
- using networks of trusted couriers and contacts to conduct business.
- using multiple cell phones and communications-security practices.
- using illegal telephone exchanges equipped with PABX (for connecting among telephone networks, thereby bypassing normal long-distance telephone calls and preventing satellite monitoring of overseas communication.

- using online transfers and accounts that do not require disclosure of owners, relying on the same corrupt officials to gain greater access to fraudulent documents, including passports and customs papers
- using similar clandestine methods of the same routes to smuggle drugs and weapons.

From these observations the analysts concluded that clandestine agents could infiltrate mosques and Islamic training camps to collect significant information and photos of terrorist leaders. Considering the similarities and close ties between drug and terrorist organizations a drug trafficker who can receive immunity for prosecution can cooperate with law enforcement officials to divulge information to stop the criminal network. This study found that one of the most important means of combatting terrorist operations is by tracking and freezing the accounts of these organizations.

This war develops methods to effectively identify weaknesses in other terrorist and criminal organizations as well. Identifying what is an effective way to attack these organizations is crucial in the war against terrorism and drugs. This study revealed that targeting a terrorist organizations sources of finance also effects the drug organizations. Targeting the leadership of a terrorist network is more effective than that of a drug network, since leaders in terrorist networks are harder to replace.

Corruption is defined as an abuse of public power for private gain. Common scenarios see an illicit transfer of funds to a private company or individual. The European Commission estimates the corruption costs the European economy 120 billion euros per year and the World bank estimates that world-wide, bribery and corruption involving private firms and their interactions with public sector alone amounts to \$1 trillion annually. (Platt, 2015)

The Transparency International study which displays some of the most notorious examples of grand corruption. The Global Financial Integrity group, based on IMF and World Bank data concluded that China is the country with the greatest flow of illicit money within its economy a \$2.18 trillion, and Russia was second with \$427 billion. The tenth country within this study totaled \$130 billion. Political and Economic corruption is usually accompanied by corruptions within the press and police. Once the police and internal affairs are also impacted it's very difficult to find and charge corruption with, so any individuals and groups involved. After analyzing the estimated amount of finances received due to corruption, it is extremely easy to coerce others to fall in line.

Leigh and Evans (2007) found that BAE systems was accused on consistent bribery amounting to 1 billion euros to a Saudi prince to secure a contract to supply military equipment. BAE systems expressed they had approval of the Saudi Government and the UK's ministry of defense. While investigated this corruption Saudi authorities informed Britain that if they did not cease their investigation that Saudi Arabia would no longer provide intelligence on terrorism. When there is so

much power and authority involved, it's difficult for agencies tasked with identifying and stopping this corruption to effectively do their job.

Nichols (2012) found in 2004, The Ukrainian Prime Minister Lazarenko was imprisoned in the United States for 8 years for his crimes related to the financial abuse while in his political position. Lazarenko was found to have extorted millions from businessmen in the area he was governor and laundered the proceeds into the United States through corporate vehicles and international bank accounts in Switzerland, Antigua and the Bahamas. Transparency International estimated Lazarenko embezzled between \$114 million and \$200 million from Ukraine.

A commonality in many bribery and corruption cases is the use of the financial system to retain illicitly gained funds. These financial institutions assist corruption by making or receiving these bribe payments, and knowingly or unknowingly allowing the transfer of these funds. Financial institutions can open accounts for these criminals knowingly or negligently due to their lack of due diligence in identifying criminality.

Platt describes an occurrence in June of 2000 where customs officials discovered the corpses of 58 individuals who were asphyxiated when the driver closed the only air vent in the container harboring the 58 individuals. It was estimated to cost approximately 20,000 Euros to smuggle everyone from China to the United Kingdom, who were in search for work. This was organized by Chinese gang

members who also supplied false documentation to these individuals to illegally enter the United Kingdom.

Criminal activity relating to the smuggling of migrants, and the trafficking of human beings affects millions of people worldwide. These crimes trigger other offenses to commit murder, credit card fraud, mortgage fraud, immigration fraud and organized prostitution. The United Nations ranks the trafficking of humans the third largest of crimes netting the largest financial gain.

The laundering of funds from human trafficking receives little media coverage and the public awareness is minimal. Riccardi (2010) found in a 2010 agreement, Western Union agreed to pay \$94 million in a settlement with Arizona over whether the company was doing enough about the use of its services by Mexican drug cartels and human traffickers.

There is an important distinction in how money is made from human trafficking which will determine the appropriate steps needed to take to prevent access of the funds to the international financial system. Once Migrants reach their destination and pay off their balance they no longer have a relationship with the smuggler; however, when involved in human trafficking the victim never leaves the control of the human trafficker and is consistently providing services generating cash to the human trafficker or criminal organization.

The UNOCD reports that migrant smuggling across Europe is an \$8 billion industry with about 600,000 migrants entering Europe illegally. The International

Labor Organization reports that there are at least 2.4 million trafficked persons at any given point in time. The UNOCD has also identified human trafficking as the third most profitable organized crime, generating approximately \$32 billion a year. \$28 billion of which are generated from sexual exploitation of the victims.

With laundering techniques, the use of cash and money service businesses to transfers the funds made is almost universal. Since human trafficking occurs both within countries and between them, some transactions may not be international. Front companies are more likely to be in Europe where the proceeds are spent on real estate and high value luxury items. In America, laundering techniques are typically in casinos and import/exporting businesses. Within Africa and Asia laundering techniques is usually done by mixing criminal finances with legitimate funds.

Hepburn (2013) found that conditions such as the aftermath of hurricane Katrina, where normal community conditions have been compromised and many individuals are misplaced and missing from family members are the ideal circumstances for these human traffickers. People and children can go missing and the catastrophic event is often to blame for the disappearance of these individuals. Circumstances like this were also prevalent in Countries like Haiti following the earthquake and war zones like Syria. Following the earthquake in Haiti 250,000 people lost their lives and 5 million people were displaced. Such devastation creates complete chaos and criminals tend to use this as an opportunity to conduct their crimes.

How can you protect people in these conditions? Unless more is done to end human trafficking there will always be people looking to profit off innocent lives. In such terrible conditions there is no police presence to protect others. Therefore, as soon as a natural disaster occurs foreign aid needs to be deployed to protect the citizens of that country.

Nitsana Darshan-Leitner and Samuel Katz (2017) reveal previously classified accounts of how Israel infiltrated the networks of Hamas and Hezbollah in a military operation called Harpoon to counter terror-based financing around the world.

Darshan-Leitner and Katz found that the Harpoon task force was established in 2001 and the Israeli military intelligence identified unique techniques in unraveling the make-up of terrorist organizations. This task force was able to identify many individuals from all positions within these terrorist organizations and possessed Arabic- speaking analysts to follow flow charts to ultimately discover the masterminds behind these terrorist operations.

This task force investigated family ties, cellular phone logs, school and mosque connections and the income of the commanders of these terrorist networks. Harpoon used a wide array of tactics to acquire information such as intercepting banking records and telephone calls of terror financiers to track and thwart their logistical movements, including stopping these individuals at border crossings and even assassinations of several financiers. (Katz. 2017)

Banks that were transferring funds to Hezbollah were also bombed by Israeli fighter jets. Harpoon also infiltrated banks who were holding the funds of terrorist networks with destructive computer malware.

Herrington (2015) found that in 2003, three terrorists were convicted at Woolwich Crown Court in London for preparing an act of terrorism that had the potential of another 9/11. Two of the members attended a terrorist training camp in Pakistan and raised money towards their act of terrorism. This money was acquired through bogus charity collections from people who believed they were supporting a humanitarian effort. These terrorists went door to door during Ramadan when charitable giving is an important obligation. These terrorists obtained \$13,500 and shows that terrorists can raise funds to carry out attacks without raising alarms.

Terrorism financing can be much harder to detect than the typical money laundering because the red flags in money laundering are not present. These funds are frequently generated by clean money from legitimate sources as well as from criminal activity. There have been major financial institutions implicated in the financing of terrorism.

The United Nations Security council frames terroristic activity as:

“Criminal acts, including against civilians, committed with the intent to cause death or serious bodily injury, or taking of hostages, with the purpose to provoke a state of terror in the general public or in a group of persons or particular persons, intimidate a population or compel a government or an international organization to do or to abstain from doing any act, which constitute offenses within the scope of and as defined in the international conventions and protocols relating to terrorism. Such acts are under no circumstances justifiable by considerations of a political, philosophical,

ideological, racial, ethnic, religious or other similar nature.” (UN Officer of the High Commissioner for Human Rights (OHCHR) 2008)

After the 9/11 attacks the United States investigated how Al Qaeda received their funds and found that Al Qaeda received \$30 million every year in donations from Islamic charities, and about \$20 million was spent on supporting the Taliban. The 9/11 attacks were predominantly financed by a series of small transfers from Germany and the UAE, raising no suspicion and were accessed via cash machines and credit cards. The terrorists were also given cash donations from Khaled Sheikh Mohammed. At this time Bank monitoring patterns were mainly focused on drug-related crime than terrorism. The Madrid bombing in 2004 relied largely on drug deals and the explosives used were purchased from a mining operative in exchange for drugs.

A link has been discovered between Islamic terror networks and the South American cocaine trade. According to a 2002 report by the US library of Congress’s Federal Research Division entitled A Global Overview of Narcotics-funded Terrorist and other Extremist Groups, around six million people of Muslim descent live in Latin America, showing strong links with terrorist attacks in the area throughout the 1990s. It has also been discovered that Al Qaeda has assisted in the transportation of cocaine to Europe and that these terrorists made \$130 million for assisting in drug trade and kidnapping within a few years.

Unfortunately, many institutions feel that the consequences of allowing small quantities of funds to be passed to terrorists are negligible compared to the cost. The

amount to cover the finances and manpower to eliminate these transfers outweigh the funds being transferred. One banking industry reported to the Economist that the enhanced screening was “hardly worth the effort,” considering the small chance of uncovering a planned attack from the suspicious financial transactions. To successfully stop these illegal transfers, there needs to be a joint effort, including financial institutions to help identify these illegal transfers to terrorist organizations.

Leitner and Katz found that a major attack against terrorist financing involves lawyers and put pressure on banks who are harboring the finances of terrorists. Pursuing financial damages are forcing banks to sever their ties with terrorist networks. Three banks are currently facing potentially immense civil compensation claims in the United States for alleged roles in providing banking services to terrorist organizations. These lawsuits are *Weiss v National Westminster Bank*, *Licci v Lebanese Canadian Bank* and *Wultz v Bank of China*. United States citizens who are victims of terrorist attacks can sue any institution for providing financial services that assisted the terrorists.

In *Weiss v National Westminster Bank*, the claimants argued that this financial institution was aware of a link between the charity and terrorism; however, the judge ruled that there was no evidence to prove such claim. In *Licci v Lebanese Canadian Bank*, the families of people killed during the 2006 attacks by Hezbollah are claiming that the Lebanese Canadian Bank was responsible for organizing the transfer of millions of dollars destined for Hezbollah, which were used to fund the attacks. A judge ruled that the claimants can pursue their case in New York due to maintenance

by the bank and their correspondent relationship with Amex in New York, showing jurisdiction.

In *Wultz v Bank of China*, the Wultz family is seeking millions from the bank after the injury of American Yekutiel Wultz and the death of his 16-year-old son, Daniel Wutz. The plaintiffs claim the bank was aware and facilitated transferred from Iran and Syria to the United States sanctioned militant group Palestine Islamic-Jihad. The Wultzes were awarded a \$332 million judgement in a landmark decision. This decision is a huge win in the fight against terrorism and hopefully forces financial institutions to work diligently in identifying possible transfers to fund terrorist activities.

OFAC's 2012 Terrorist Assets Report stated that \$21 million has been blocked as a result of involvement with terrorist organizations. The United States has also seized \$2.4 billion in assets which belong to state sponsors of terrorism.

Human Trafficking

Gaining the support from these officials ensures the success of their operations. The money laundering methods will go completely under the radar, and the flow of funds will never be audited. Estimates suggest about 50,000 people are trafficked into the United States each year, most often from Mexico and the Philippines. In 2018, over half of the human trafficking cases in the United States were sex trafficking cases involving children. The Global Report on Trafficking in Persons for 2018 by the United Nations describes the severity of human trafficking all

around the world. This document breaks down human trafficking globally, human trafficking in specific regions around the world and characteristics of the victims and reasons for the trafficking. There has been a significant increase in human trafficking reports, but it is unclear whether there is more human trafficking or countries or taking advantage of the tools accessible to document the cases.

It's estimated that internationally there are between 20 million and 40 million people in modern slavery today. According to the Center for Missing and Exploited Children, roughly 800,000 children are reported missing each year from the United States alone. Human trafficking earns global profits of roughly \$150 billion a year for traffickers, \$99 billion of which comes from commercial sexual exploitation. The Global Financial Integrity Report provides estimates of \$650 billion in annual revenue in the trade of humans, drugs, organs, along with nine other international crimes. With the amount of money generated per year, one can assume there is some level of corruption going on to allow this amount of cash flow every year.

Stopping these international crimes and corruption will be a huge step forward in preserving the international financial system and saving the many victims of the human trafficking and drug epidemic. There are ways in which to funnel small amounts of money, but if you have control of the entire institution and government these crimes will go unreported.

Since President Trump took office in 2016, he has signed numerous executive orders to completely abolish human trafficking around the world and fight the drug

epidemic. On February 13, 2017, President Trump signed Executive Order 13373, which enforces Federal Law with respect to transnational criminal organizations and preventing international trafficking. President Trump signed executive order 13784 which combats the drug addiction and the opioid crisis, and he has signed executive order 13818, which blocks the property of persons involved in serious human's rights abuse or corruption.

Furthering the fight against Human Trafficking President Trump signed the Frederick Douglas Trafficking Victims Prevention, Protection Reauthorization Act and the Trafficking Victims Protection Reauthorization Act. The Frederick Douglas Trafficking Victims Prevention act includes several provisions that improve the federal governments authorities to combat human trafficking. This program educates children on the dangers of human trafficking, requires reports from domestic airlines on the number of airline personnel trained to detect and report human trafficking, the number of possible human trafficking notifications and whether the carrier made proper notifications regarding the possibility of a human trafficking occurrence to the human trafficking hotline or law enforcement. The Protection Reauthorization act established the State Department's TIP office and the President's Interagency task force to monitor and assist in combating human trafficking. The Trafficking Victims Protection Reauthorization Act was recently signed into law and reauthorizes existing programs, new enforcement accountability and prevention initiatives. This act provides stronger identification, prosecution and sentencing tools to law enforcement

and the development of victim screening protocols for all law enforcement to ensure officers are equipped to identify human trafficking.

In 2018 there was a total of 1,654,282 arrests from drug violations, 1588 human trafficking arrests and 4,000 arrests for human smuggling. The justice department initiated a total of 230 human trafficking prosecutions, charging 386 defendants and convicting a record 526 defendants. One of the most successful Anti-Trafficking Coordination Team Initiative was when the U.S. Justice Department convicted 36 defendants operating a sex trafficking scheme that exploited hundreds of Thai women in multiple states that were held captive for ten years. The FBI initiated 649 human trafficking cases and arrested 2453 subjects.

By some estimates, there are as many as 24.9 million people trapped in a form of modern-day slavery around the world. Human traffickers exploit others through forced labor or commercial sex, and these traffickers' profit from their victims' horrific suffering.

The Justice Department continues to lead the U.S. Mexico Bilateral Human Trafficking Enforcement Initiative in collaboration with DHS and Mexican law enforcement to combat human trafficking networks operating at the U.S. Mexican border. This collaboration has aided in the dismantling of transnational trafficking networks.

Chow (2019) found that a major arrest recently involved the group NXIVM whose leader Keith Raneire, was found guilty of two counts of sex trafficking,

rackeering, and forced labor conspiracy, and wire fraud conspiracy. Another major arrest was the American Heiress and former equestrian Clare Bronfman. Clare Bronfman was charged with money laundering and identity theft in connection with NXIVM activities and recently pleaded guilty to a single count of visa fraud, acknowledging false statements she made to the court.

NXIVM was a self-help group offering self-improvement seminars and workshops. Some 16,000 people have taken NXIVM classes all around the world. NXIVM was found by Raniere and Nancy Salzman who was a former registered nurse. Allison Mack was another member of NXIVM who is most known for her acting role of the series Smallville. Mack would recruit other women to join the NXIVM cult.

From seeing such high-profile arrests and a major website predominantly focusing on the trafficking of humans taken down, one can conclude that there is a major focus on ending human trafficking, which will directly impact terrorist and criminal organizations. This is a major success in stopping the abuse within the international financial system. If there are no illegal funds to move around the financial system and the criminals are brought to justice, there will be a decrease in the amount of illegal transactions within the financial system.

Finn (2020) found an annual report by the Suffolk County Heroin and Opiate Epidemic Advisory Panel has found a decrease of 25% in opioid related deaths in Long Island in 2019. This opioid epidemic has caused an estimated 2 million people

to become addicted to opioids in the United States. In 2017, 47,000 Americans died of an opioid overdose and there have been approximately 700,000 opioid related deaths from 1999 to 2018.

Jojarth found that the international coordination international coordination of the fight against money laundering and terrorist financing is remarkable. Following the Money Laundering Control Act of 1986 making money laundering illegal, other countries soon followed suit in enforcing laws and penalties in combatting money laundering. Jojarth continues to describe the other efforts in combat money laundering such as the Basel Statement of Principles for the Prevention of Criminal Use of the banking System for the Purpose of Money Laundering and soon after the United Nations developed the United Nations Convention against the Illicit Traffic in Narcotics Drugs and Psychotropic Substances, and the Financial Action Task Force (FATF) was formed in 1989. Jojarth defines the FATF as an intergovernmental body that functions largely as a loose policy forum in which government officials deliberate on legally non-binding measures to counter money laundering. 180 jurisdictions around the world are now endorsing the recommendations made by the FATF. Jojarth believes the Financial Action Task Force can pride itself on driving the rapid global diffusion of regulation to combat money laundering and the financing of terrorism.

All these methods have been extremely beneficial in limiting the exploitation of the international financial system, but there is still much more that needs to be

done to completely eradicate this abuse and the crimes associated with the illegal finances.

IV. Findings and Recommendations

After conducting research, and following the Executive Orders enacted by the United States Government, you can conclude much is being done to lessen and end horrible crimes facilitating the growth of these terrorist and criminal networks. From the major arrests of Drug lords such as El Chapo, to the deaths of major terrorist leaders such as Al Badghadi from the Islamic State. There are also major platforms that are being taken down that help facilitate these crimes. How do we continue this success in the years to come?

I believe the current numbers aren't an accurate representation of just how bad the human and drug trafficking is, but I feel like it will be in the coming years after seeing people of significant power being arrested for their crimes. There is no way these crimes that generate billions of dollars can go on without there being heavy corruption within Governments and Financial Institutions. Cleaning up the corruption will reveal a significant decrease in these crimes in society and within the international financial system.

The Use of The Internet to Facilitate Human Trafficking.

Backpage was a major online advertising website that became the largest marketplace for buying and selling sex. The website launched in 2004 by New Times Media and at the time of the website's seizure, Backpage operated in 97 countries and had a net worth of \$500 million. Backpage's CEO Carl Ferrer recently pleaded guilty

to federal and state charges in California and Texas for conspiring to facilitate prostitution and money laundering on April 5, 2018. On April 6th, 2018 the Department of Justice seized and shutdown Backpage.com. The seizure of Backpage.com occurred days before President Trump signed a new law allowing trafficking victims and state prosecutors to target websites that create a market for human trafficking.

Backpage acted as an online platform to connect people willing to pay for sex to individuals and networks willing to provide sexual favors for money. In doing so, Backpage facilitated the sex trafficking of innocent women and children.

The Fight Online Sex Trafficking Act and the Stop Enabling Sex Trafficking Act were signed into law, and made it a federal crime to own, manage or operate a website with the intent to promote or facilitate prostitution. These acts caused an immediate reduction in advertisements promoting prostitution and there has been a significant decrease in the online sex market. The decrease in advertisements has made it easier for law enforcement to find these criminals and due to this, criminals are now in fear of discovery, which has significantly lessened these illegal activities. Backpage.com was a major source for human trafficking and after the seizure of the website there will now be smaller and scattered online sex markets marking a huge win in the fight against human trafficking.

Major Human Trafficking Arrests

The Department of Justice recently announced the arrest of 1,700 child sex predators during operation “Broken Heart.” This investigation sought after online child sex offenders during a two-month, nationwide operation conducted by the Internet Crimes Against Children Task Forces. The investigators went through 18,500 complaints of technology-facilitated crimes targeting children and delivered more than 2,150 presentations on internet safety to over 201,000 youths and adults. This is a major operation that will serve as a deterrent for future criminals and has saved the lives of many children. The internet is a major tool used by criminals and these arrests show the impact the United States has had in recent years battling these criminals and criminal organizations.

The most high-profile arrest has been that of Jeffrey Epstein who was alleged to provide high standing individuals with underage victims. Suspected people that were provided underage women were former President Bill Clinton and Prince Andrew who was accused by victim Virginia Roberts.

Arrests of Jeffrey Epstein can yield a promising future in the end of human trafficking considering the lucrative earnings from such crimes. Although it may not consist of most of the the human trafficking crimes it certainly is the cause of most of

the earnings made from such crimes considering the high-profile individuals seeking victims from Jeffrey Epstein.

Jeffrey Epstein could have used these crimes as blackmail to influence policy makers, and governments to further his criminal actions. This case is still ongoing, and evidence is being collected and hopefully the people who were apart of this will face consequences. Following the death of Jeffrey Epstein, Ghislaine Maxwell has become the primary suspect who is believed to have recruited underage women in this trafficking network.

Soon after Epstein's death millions of dollars of his estate was transferred to his bank, Southern Country International. This bank was created under a territorial law that lacked oversight requirements and its regulatory file appeared to be empty. Epstein was convicted in 2008 on a charge of soliciting prostitution from an underage girl and was required to register as a sex offender. Banks in the United States are required to undergo background checks and oversight by the arm of the Treasury that investigates suspicious financial transactions. Southern Country International was not required to undergo either of these checks and these organizations have a high potential for abuse, including money laundering.

The Federal Reserve Bank of New York describes these banks as "high-risk" institutions, and with what we know of Jeffrey Epstein we can clearly assume there was a high chance of abuse within this financial institution. All banking entities need

to be under the same rigorous inspections to ensure there is no abuse within the organization.

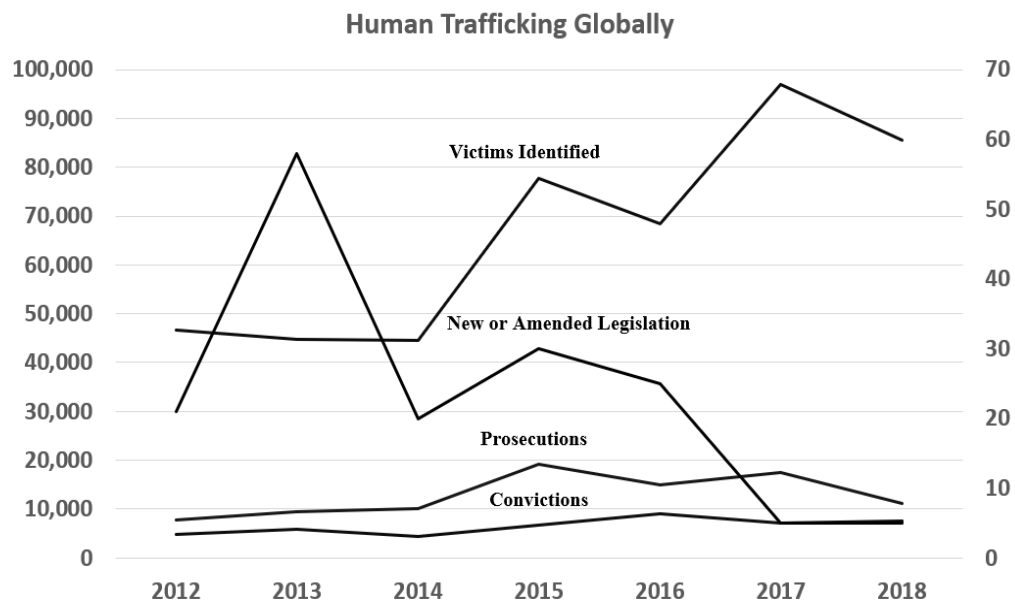


Figure 1: Human Trafficking Globally

These numbers from the above graph were gathered from the 2019 Trafficking in Persons Report. This is a global account of trafficking victims who were forced into labor. The numbers prove that countries around the world are taking the appropriate steps to end the trafficking of persons around the world.

The new or amended legislation line represents the legislations enacted to combat human trafficking and in 2013 had its highest with 58. Following the significant increase in laws, many criminals were convicted of human trafficking

crimes and many victims were saved as a result. It will take more time to assess how effective these new laws are in ending the horrific crime of human trafficking. We will have to analyze future years and see a significant decrease in the number of victims and convictions.

To further attack human trafficking we will need to continue to assess how effective our policies are and implement new laws to adapt to the new ways criminals will find to circumvent existing laws.

It is believed that approximately \$2 trillion of illicit proceeds from financial crimes such as human trafficking, bribery and fraud are flowing through the international financial system. According to a survey conducted by the World Economic Forum, half of 2,300 multinational companies reported fraud within the past 12 months.

Gathering and sharing information from the international financial system and moving away from identifying transaction by transaction is very important to adapt and uncover crimes that are causing the exploitation of our international financial system.

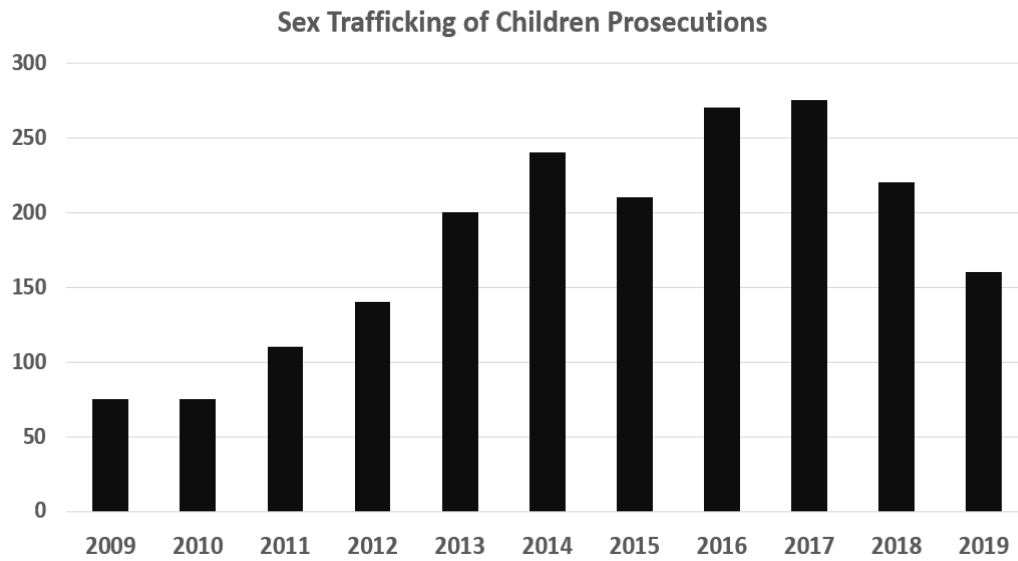


Figure 2: Sex Trafficking of Children Prosecutions

This graph depicts prosecutions of the sex trafficking of children under a law that was used against the financier Jeffrey Epstein and it has significantly decreased 26.7% from 2017. These are numbers were obtained under the Freedom of Information Act from the Justice Department. The executive orders under President Trump are proving effective in combatting human trafficking. The trend is the opposite during the Obama years and hopefully the amount of prosecutions will decrease for the remainder of President Trumps presidency because there are less instances of human trafficking.

Major Drug Arrests

Joaquin Archivaldo Guzman Loera, also known as “El Chapo” is known as the world’s most powerful drug trafficker with an estimated net worth of \$14 billion. El Chapo was arrested in January 2016 and was extradited to the United States to stand trial on federal charges. These federal charges consisted of money laundering, drug trafficking, kidnapping, and murder in multiple cities within the United States. El Chapo was also accused of having sexual relations with children as young as 13 years of age. El Chapo is now facing life in prison plus 30 years and was ordered to forfeit \$12.6 billion.

On October 17, 2019 El Chapo’s son Ovidio Guzman Lopez was arrested and released following a clash between the Mexican drug cartel and federal agents in Mexico. Following the arrest of the officer who made the arrest was murdered. The Mexican drug cartel has a lot of power in Mexico and more needs to be done to aid the Mexican Government in combatting the drug trafficking. In having so much control within a country it’s very easy to manipulate the government and financial institutions of that Country.

The United States has recently declared the Mexican Cartel as a terrorist organization following the killing of nine members of an American Mormon family in November. Some drug cartels have killed more Americans than organizations already on the list of terrorist organizations. The Identifying Drug Cartels as Terrorists Act would officially add seven drug cartels to the United States list of

foreign terrorist organizations; however, the Mexican President urged President Trump to not continue in pursuit of Mexican Drug Cartels. This could be the result of fear to innocent civilians in Mexico and people in power. Therefore, the United States military is needed and cooperation from local Governments to rid Mexico of these drug cartels promoting such terror.

I recommend gathering appropriate intelligence of the drug cartels and ensuring the safety of civilians and government leaders while conducting arrests and sweeps of these criminals. Allowing such organizations to exist promotes so much crime and abuse within society and the international financial system.

Major Money Laundering Arrests

Bruce Bagley has been regarded as a leading expert on organized crime in Latin America, focusing mainly on money laundering. Bagley has been arrested on charges of laundering \$3million on behalf of corrupt foreign nationals who collected the illicit funds through bribes and by embezzling from a public works project in Venezuela. (Romo, 2019)

Combating Terrorism

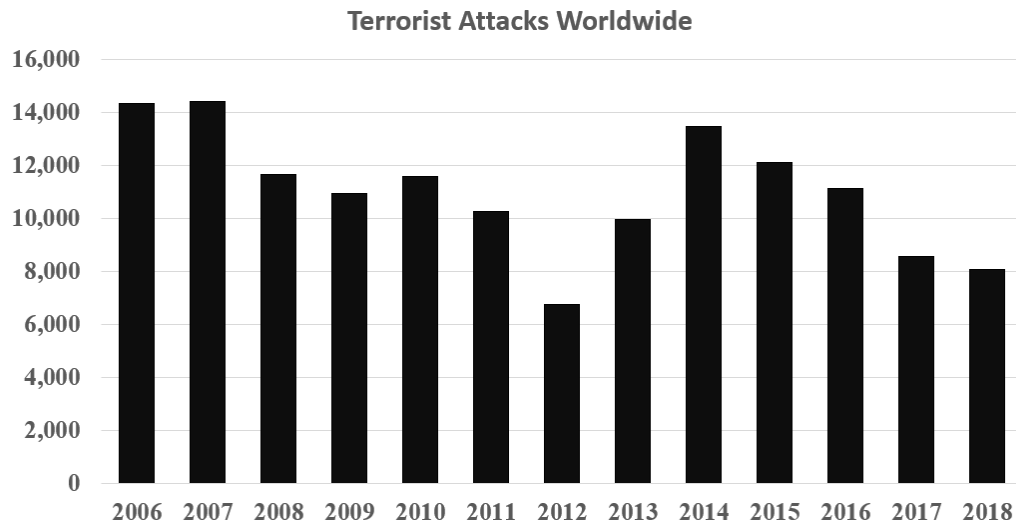


Figure 3: Terrorist Attacks Worldwide

This chart represents the total terrorist attacks from 2006-2018 and proves that we are combatting terrorism efficiently and are adapting to continue a trend in limiting terrorist attacks. In 2012 the world was able to keep terrorist attacks at an all-time low but failed to maintain this as we can conclude from analyzing the attacks for year 2014. The world must adapt to the changing strategies implemented by these terrorist organizations and continue to work together to create the best chances of success.

Below is a table detailing the major legislations enacted to combat terrorist activities and financing.

Legislation	Date	Description of Legislation
Financial Anti-Terrorism Act	2001	Allows criminals who were involved in illegal money practices to be punished. All financial institutions are forced to form an anti-money laundering program.
USA Patriot Act	2001	Allowed for surveillance to investigate possible terrorists. Allowed federal agents to seek court permission to obtain bank and business records to prevent money laundering for terrorism financing. Improved intelligence sharing between government agencies. Created tougher penalties for those found guilty of acts of terrorism. Made it more difficult for aliens involved in terrorist related activities to enter the United States.
PATRIOT Sunsets Extension Act	2011	Allows for the Government to conduct roving wiretaps, searches of business records and surveillance of “lone wolves” suspected of terrorist related activities.

Resolution 2462 Under Chapter VII of the United Nations Charter	2019	Requires all States to prevent and suppress the financing of terrorist acts and to refrain from providing support to those involved. All states must ensure their laws make it possible to prosecute and punish those found guilty of supporting terrorist organizations. Ensures all States are in compliance with international law.
Terrorist Finance Tracking Program (TFTP)	2001	To identify, track, and pursue terrorists by tracking terrorist money flows and assist broader U.S. Government efforts to locate terrorist networks globally.
Anti Terrorism Clarification Act	2018	Blocks the assets of entities associated with the international narcotics trade, including international narco-terrorist groups. Provides compensation for victims and holds supporters of terrorism accountable.

Table 1: Major Legislations Against Terrorist Financing

Below is a table detailing the major legislations proposed to combat terrorist activities and financing. A major concern is the use of digital currency and how it is being exploited to benefit terrorist organizations. H.R. 428 and H.R. 5036 are current acts to combat such occurrences within the international financial system.

Legislation	Date	Description of Legislation
H.R. 630 Counterterrorism Screening and assistance Act	2019	To combat international travel by terrorists and foreign fighters, accelerate the transfer of certain border security systems to foreign partner governments, establish minimum international border security standards, authorize the suspension of certain foreign assistance to countries not making significant efforts to comply with such minimum standards.
H.R. 428 Homeland Security Assessment of Terrorists Use of Virtual Currencies Act	2019	To acquire intelligence and analysis to develop a threat assessment of the use of virtual currencies by terrorist organizations.
H.R. 5036	2018	To establish an Independent Task Force, to provide rewards for information leading to convictions related to terrorist use of digital currencies.

Table 2: Legislations Proposed to Combat the Current Threat of Terrorist Financing

In 2018 alone, there were 32,836 fatalities from terrorism. Continued efforts around the globe are essential in combatting terrorism and the crimes associated with these organizations. Just recently, Russia thanked the United States in sharing information that foiled a plot to attack St. Petersburg during the New Year's period. In 2017 Russia received another warning from the United States intelligence agencies, which again prevented a terrorist attack on Russian soil. Due to the United

States providing information and assistance with Russia, Putin has promised to reciprocate with intelligence to assist the United States in any known threats.

Both Countries have felt the effects of the Islamic State. In 2015, ISIS claimed responsibility for downing a Russian passenger plane that killed 224 people. ISIS has been plotting many attacks around the world, but there has been a significant decrease in terrorist attacks, largely due to cooperation amongst world leaders in sharing intelligence and the heavy dismantling of the organization worldwide.

-Continued efforts in strategic attacks of highly influential terrorist leaders will be necessary in ending terrorist operations. Allowing these individuals to threaten

Countries need to continue to work together like what we have seen with the intelligence sharing between Russia and the United States and that of Saudi Arabia and India in combatting terrorism. These Countries also need to work together to end the major drug and human trafficking crimes. The United States developed a blacklist to include Countries who are not doing enough to combat human trafficking. Countries currently on the list are Saudi Arabia, Cuba, China, Iran, Myanmar, North Korea, Russia and Venezuela who are said to not be doing enough to combat human trafficking and sanctions can follow as a result.

The United States can restrict assistance or withdraw support to these countries. Secretary Mike Pompeo explained that the United States took measures last year against 22 countries due to the human trafficking designation. The United

States is taking a firm stance against human trafficking and I would recommend a group of Countries to unite solely to combat human trafficking. Sharing intelligence between each other and pledging to join the fight against human trafficking.

Countries need to do more for their victims and provide them with the protection and care needed after suffering by the hands of human traffickers. Valuable information can be provided from the victims as well.

Serious efforts need to be focused on the corruption within the Government and Financial Institutions that turn a blind eye in allowing these criminal and terrorist networks to funnel their finances into the international financial system. Agencies need to focus their work on the criminals who threaten such leaders and employees to ensure their safety. Threats to not comply with these criminal organizations are a major reason why these criminals have obtained so much power over the government's and international financial system.

On October 26, 2019 the military commander of ISIS, Abu Bakr al-Baghdadi was killed by United States military forces. Baghdadi was responsible for the deaths of thousands of civilians in the Middle East, including the deaths of civilian hostages from Japan, the United Kingdom, and the United States.

This world needs to continue in this direction and continue to seek out all terrorist networks and criminals who are contributing to these illegalities.

Additional methods and focus need to be on:

Banks all around the world need to face strict penalties for knowingly harboring accounts of suspected terrorists and criminals. This is already present from the United States and other Countries need to follow suit. Accountability and severe punishments are crucial to ensure everyone takes the appropriate measures to safeguard society and our international financial system.

We must follow the money to properly identify these criminals and continue this methodology until the entire network is completely dismantled. This has been a very effective method in infiltrating terrorist network financing which has led to that of drug and human traffickers. Once these accounts are tracked and then frozen these criminal operations will have no means of operating.

I am strongly influenced on how Israel handled the terrorist attacks on their country and how they introduced Malware into the banks that were harboring finances from the terrorist organizations. In this age, cyber security is very important, and most finances being moved illegally are done through the web and cryptocurrencies. I would develop malware that would find and track the illegal finances and hold accountable the banks and cryptocurrency accounts.

We must take out the individuals who threaten and promote fear to push their agenda. Control by threats, and violence is a major reason some influential agencies and government leaders have no choice, but to assist in the corruption allowing terrorist and criminal networks to continue their operations with ease as they funnel finances in and out of financial institutions and acquire the means necessary to

continue their criminal operation. The world needs more accountability on cryptocurrency to ensure funds are not being moved by terrorist organizations.

Bitcoin and online money markets are a new way that criminals are laundering their finances due to the lack of agencies able to track the illegal transferring. Agencies need more access to the transfers and accountability to ensure criminals are not using this method to transfer their illegal funds.

Militaries around the world need to be used to take out drug and human trafficking cartels. These criminals have close ties to terrorist organizations and billions of dollars are generated from these crimes which are in turn illegally introduced into the international financial system. As we see following the arrest of El Chapo's son there was a battle between the drug cartel and Mexican Law Enforcement. Deploying military units while we ensure the safety of the country is another crucial method to effectively and efficiently end the war of trafficking.

Governments must agree that all funds and assets of individuals who are found to cause serious abuse against human rights will be seized. These funds will then be used to aid with the victims of these terrible crimes.

V. Conclusion

Clearly, we can conclude that attacks on the international financial system are caused by many different factors and there are multiple issues that need to be addressed to fully end the exploitation of the international financial system. From examining the research, we will also save many lives by ending the horrific crimes where a lot of the finances originate from.

Unfortunately, we let things get out of control. We let those who are running these drug and human trafficking rings obtain the most power and we have a long way to go before we can finally rid the world of such crimes. These crimes perpetuate blackmail, fear, control, and unfortunately put many innocent lives in the middle of this struggle to maintain power.

The research shows that a lot has been done to curb these crimes, but it also proves that there is still so much more to do. Terrorist, drug and human trafficking organizations have taken huge blows in the recent years with new legislation, arrests and deaths, but there are many people ready to step up and continue these crimes. These organizations generate billions of dollars and all work together to promote their agenda. A major area to consider is the financial sector and we must ensure that no financial or Government leader is looking the other way while criminal organizations exploit the system to continue their crimes.

The arrests of such high-profile individuals make it much easier to identify where most of the corruption lies. Who works closely to these individuals and who do they have their power over to help facilitate their crimes? From there we can observe and analyze the circumstances in which individuals infiltrate the system. We can now identify the other people in power who work closely with these individuals.

This needs to be a joint effort and from what I have learned, every area is being attacked heavily. These organizations are answering for their crimes and the people in power are being removed. This will be a long process, but with continued efforts to combat terrorism, human and drug trafficking, and abuse within the financial system I am optimistic that the statistics will show a significant decrease in crimes soon.

References

- Allie Malloy. "Trump Signs Order Aimed to Combat Human Trafficking." CNN, <https://www.cnn.com/2020/01/31/politics/donald-trump-combat-human-trafficking/index.html>
- Berry LaVerle, Glenn E. Curtis, Hudson, Rex and Kollars, Nina (2002) A Global Overview of Narcotics-Funded Terrorist and other Extremist Groups https://www.loc.gov/rr/frd/pdf-files/NarcsFundedTerrs_Extrems.pdf
- Chaudhury, Dipanjan Roy. (2019) "India, Saudi Arabia Call for Dismantling Terror Infrastructure; to Set up JWG on Counter-Terror." The Economic Times, <https://economictimes.indiatimes.com/news/defence/india-saudi-arabia-call-for-dismantling-terror-infrastructure-to-set-up-jwg-on-counter-terror/articleshow/68086477.cms?from=mdr>
- Chen, J. (2020) Money Laundering. Retrieved from <https://www.investopedia.com/terms/m/moneylaundering.asp>
- Clunan, A. (2006). The Fight against Terrorist Financing. Political Science Quarterly, 121(4), 569-596. www.jstor.org/stable/20202763
- Chow, Andrew (2019) NXIVM Leader Keith Raniere Has Been Convicted for Keeping Women as 'Sex Slaves.' Here are the Major Players in the Case Retrieved from <https://time.com/5568135/nxivm-allison-mack-raniere/>
- Darshan-Leitner, Nitsana, and Samuel M. Katz. Harpoon: Inside the Covert War against Terrorism's Money Masters. First edition, Hachette Book, 2017
- Duff, D. (2011). CHARITIES AND TERRORIST FINANCING. The University of Toronto Law Journal, 61(1), 73-117. www.jstor.org/stable/23018690
- Esposito, Richard. (2010) "Mexican Governor Charged with Helping Cartel Smuggle Tons of Cocaine Is Extradited to U.S." ABC News, ABC News Network, abcnews.go.com/Blotter/mexican-politician-charged-helping-drug-cartel-smuggle-200/story?id=10604656.
- Fanusie, Yaya J. and Entz, Alex (2017) Hezbollah Financial Assessment Retrieved from https://s3.us-east-2.amazonaws.com/defenddemocracy/uploads/documents/CSIF_TFBB_Hezbollah.pdf

Financial Action Task Force (2006) Trade-Based Money Laundering
<https://www.fatf-gafi.org/publications/methodsandtrends/documents/trade-basedmoneylaundering.html>

Finn, Lisa (2020) Fatal Opioid Overdoses Down 25.5% Countywide: Report. Southampton, NY Patch, 3 Jan. 2020, <https://patch.com/new-york/southampton/fatal-opioid-overdoses-down-25-5-countywide-report>.

Fruth, Joshua (2018) Anti-Money Laundering Controls Failing to Detect Terrorists, Cartels, and Sanctioned States. Reuters. [mobile.reuters.com, https://www.reuters.com/article/bc-finreg-laundering-detecting-idUSKCN1GP2NV](https://www.reuters.com/article/bc-finreg-laundering-detecting-idUSKCN1GP2NV)

Garcia, Felicia and Fellow, Max K. (2018) The Backpage.Com Bust.” CSCE, <https://www.csce.gov/international-impact/backpagecom-bust>

Gertz, Bill (2017) Israel’s Financial War on Terror Led to Global Shift in Targeting Money. Washington Free Beacon, <https://freebeacon.com/national-security/israels-financial-war-terror-led-global-shift-targeting-money>

Goldman, Z., Maruyama, E., Rosenberg, E., Saravalle, E., & Solomon-Strauss, J. (2017). Terrorist Use of Virtual Currencies: Containing the Potential Threat (pp. 9-16, Rep.). Center for a New American Security. www.jstor.org/stable/resrep06423.5

Hepburn, Stephanie, and Rita J. Simon. Human Trafficking around the World: Hidden in Plain Sight. Columbia University Press, 2013

Herrington, Lewis (2015) British Islamic Extremist Terrorism: The Declining Significance of Al-Qaeda and Pakistan. Retrieved from https://www.chathamhouse.org/sites/default/files/field/field_publication_docs/INTA91_1_02_Herrington.pdf

Jojarth, C. (2013). Money Laundering: Motives, Methods, Impact, and Countermeasures. In Heinrich-Böll-Stiftung & Schönenberg R. (Eds.), Transnational Organized Crime: Analyses of a Global Challenge to Democracy (pp. 17-34). Bielefeld: Transcript Verlag. Retrieved March 10, 2020, from www.jstor.org/stable/j.ctv1fxh0d.5

Jost, Patrick M. (1997) The Hawala Alternative – U.S. Department of the Treasury <https://www.treasury.gov/resource-center/terrorist-illicit-finance/Documents/FinCEN-Hawala-rpt.pdf>

Kaplan, Eben (2006) Terrorist Financing. Council on Foreign Relations, <https://www.cfr.org/background/tracking-down-terrorist-financing>

Leigh, David and Evans, Rob. (2017) “BAE Accused of Secretly Paying Ibn to Saudi Prince.” The Guardian News and Media www.theguardian.com/world/2007/jun/07/bae/1

Loesche, Dyfed (2017) Infographic: Steep Rise in Poppy Cultivation and Production of Opium. Statista Infographics, <https://www.statista.com/chart/11926/poppy-cultivation-and-opium-production-in-afghanistan/>

Malik, Nikita. (2019) “Does the Hawala Payment System Still Benefit Terrorists?” Forbes, <https://www.forbes.com/sites/nikitamalik/2019/04/29/does-the-hawala-payment-system-still-benefit-terrorists/>

Nichols, Philip M. (2012) United States v Lazarenko: The Trial and Conviction of Two Former Prime Ministers of Ukraine. Retrieved from <https://chicagounbound.uchicago.edu/cgi/viewcontent.cgi?article=1493&context=uclf>

Normark, Magnus and Ranstorp, Magnus (2015) Understanding Terrorist finance https://www.fi.se/contentassets/1944bde9037c4fba89d1f48f9bba6dd7/understanding_terrorist_finance_160315.pdf

Norton, S., & Chadderton, P. (2016). Detect, disrupt and deny: Optimising Australia’s counterterrorism financing system (pp. 10-17, Rep.). Australian Strategic Policy Institute. Retrieved March 10, 2020, from www.jstor.org/stable/resrep04244.6

Norton, J., and Shams, H. (2002) Money Laundering Law and Terrorist Financing: Post-September 11 Responses — Let Us Step Back and Take a Deep Breath? The International Lawyer, 36(1), 103-124. www.jstor.org/stable/40707646

Platt, Stephen. Criminal Capital: How the Finance Industry Facilitates Crime. Palgrave Macmillan, 2015.

President Donald J. Trump is Fighting to Eradicate Human Trafficking <https://www.whitehouse.gov/briefings-statements/president-donald-j-trump-fighting-eradicate-human-trafficking/>

2019 Prosecution of Sex Trafficking of Children Is Down Nationwide <https://trac.syr.edu/tracreports/crim/565/>

Putin Thanks Trump for Foiling New Year Attacks. BBC News, 29 Dec. 2019. www.bbc.com, <https://www.bbc.com/news/world-europe-50941754>

Reid (2019) 2010 Haiti Earthquake: Facts, FAQs, and How to Help. World Vision, <https://www.worldvision.org/disaster-relief-news-stories/2010-haiti-earthquake-facts>.

Schoofs, Mark. ATMs Become Handy Tool for Laundering Dirty Cash. Wall Street Journal, 21 Sept. 2007
www.wsj.com<https://www.wsj.com/articles/SB119033266947734601>

Simpson, G. R. (2002, February 28). Holy Land Foundation Allegedly Mixed Charity Money with Funds for Bombers. Retrieved from <https://www.wsj.com/articles/SB101476025597651120>

Subcommittee on International Trade and Finance (2002) The Role of Charities and NGO'S in the Financing of Terrorist Activities.
<https://www.govinfo.gov/content/pkg/CHRG-107shrg89957/html/CHRG-107shrg89957.htm>

Topic: Terrorism. [https://www.statista.com/topics/2267/terrorism/Tracking Down](https://www.statista.com/topics/2267/terrorism/Tracking%20Down)

Riccardi, Nicholas (2010) Western Union settles in border wire-transfers case. (2010, February 12). Retrieved from <https://www.latimes.com/archives/la-xpm-2010-feb-12-la-na-border-security12-2010feb12-story.html>

Who Is Saudi Crown Prince Mohammed? BBC News, 22 Oct. 2018
<https://www.bbc.com/news/world-middle-east-40354415>

Zitter, Kim (2017) "Liberty Reserve Founder Indicted on \$6 Billion Money Laundering Charges." Wired, Conde Nast,
www.wired.com/2013/05/libertyreserve-indicted/

VITA

Name:	John Engel
Baccalaureate Degree	Bachelor of Arts, Saint Leo University, St Leo
Date Graduated:	March 2012